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C O N F I D E N T I A L SECTION 01 OF 02 YAOUNDE 000608

SIPDIS

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TAGS: KCOR EFIN PREL PGOV ECON CM

SUBJECT: (C) CENTRAL BANK SOURCE: "GABONESE STOLE \$40 MILLION, FUNNELED SOME TO FRENCH POLITICS"

REF: YAOUNDE 147

Classified By: Political Officer Tad Brown for Reasons 1.4 b and d.

¶1. (C) Summary. Senior Gabonese officials in the Bank of Central African States (BEAC) colluded to embezzle more than 18.3 billion CFA (about \$36 million) from the pooled reserves of the six states of the Central African Economic and Monetary Community (CEMAC) over the past five years, according to a senior Embassy contact at the bank. In a June 12 meeting with Poloff, the source, a senior third-country national, said BEAC discovered the crime during internal audits conducted in the wake of revelations that Gabonese national and BEAC Governor Philip Andzembe had covertly placed 500 million Euros in high-risk investment with French bank Societe Generale (reftel). According to the Embassy source, senior Gabonese political leadership, including the late President Omar Bongo and his son, Defense Minister and presidential hopeful, Ali Bongo benefitted from the embezzlement. The source said Gabonese officials used the proceeds for their own enrichment and, at Bongo's direction, funneled funds to French political parties, including in support of French President Nicholas Sarkozy. End summary.

Audit Reveals Deeper Issues

¶2. (C) The BEAC official asked Poloff to meet on June 12 to discuss "a sensitive issue that I want the U.S. to hear about from me, before it appears in the media." Recalling the political tensions created by the revelation that BEAC Governor and Gabonese national Philip Andzembe had, in violation of BEAC regulations and unbeknownst to the BEAC board, placed 500 million euro of BEAC deposits in a high-risk investment with French bank Societe Generale (Reftel), the BEAC official said the consequent review of BEAC's accounts had revealed even broader and more brazen malfeasance linked to a hierarchy of Gabonese officials throughout BEAC. (Note: Under the agreement that created BEAC in 1972 it was decided that, in light of their relative economic predominance in the region, Cameroon would host BEAC's headquarters while Gabon would maintain exclusive power to appoint the BEAC Governor. For more information on how the politics of oil affected the region and BEAC see reftel. End note.)

The Easy Way to Rob a Bank

¶3. (C) The BEAC official explained that Gabonese President Bongo's control of BEAC was more extensive than the Governor's office; the Director of Accounting, the Deputy Director of Accounting, the officials overseeing international wire transfers, and the accountant in BEAC's Paris branch have all been Gabonese nationals appointed by Bongo. Working in concert, these officials were able to subvert BEAC's safeguards. The Paris accountant was, until

recently, Gabonese national Armand Brice Nzamba, who is a close personal friend of Ali Bongo, according to Post's contact at BEAC. The BEAC official said BEAC had contacted the Paris "financial police" who were investigating Nzamba until he fled France earlier this year. Gabonese national Maurice Moutsinga served as the Director of Accounting in BEAC Headquarters for 20 years until his retirement in 2007.

14. (C) The embezzlement moved through three main Channels, according to the official:

--in checks made out in the names of the BEAC officials themselves; BEAC's investigations have already tracked 18.3 billion CFA (\$36.6 million) that were embezzled in checks made out in the name of Gabonese officials. As a result, Nzamba accumulated personal wealth of more than of more 1 billion CFA (\$2 million) on an annual salary of about \$36,000;

--in checks made payable to shell companies; the main recipients were Papieterie Classique and Tour 55 in France and Chaiab in Morocco, and;

--in checks made out to Gabonese politicians, including the wife of Leon Mebiane, who was Gabon's Prime Minister from 1975-1990.

Did French Politicians Benefit?

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15. (C) Asked what the officials did with the stolen funds, the BEAC official responded, "sometimes they kept it for themselves, sometimes they funneled it to French political parties." Asked who received the funds, the official responded, "both sides, but mostly the right; especially Chirac and including Sarkozy." The BEAC official said "Bongo was France's favorite President in Africa," and "this is classic France Afrique." He said technocrats from the French Treasury were relatively progressive in encouraging the francophone governments to be more autonomous, but that the Banque de France continued to exert an outsized influence.

CEMAC Presidency's React

16. (C) The BEAC official said the CEMAC Heads of State were understandably upset to learn about the deeper governance problems at BEAC. In a January 2009 meeting to discuss Anzembe's deal with Societe Generale, Biya had called for Andzembe's immediate dismissal. According to the official, Biya pounded the table during a recent meeting with his CEMAC counterparts and asked, in reference to his own anti-corruption campaign, "Don't you read the press? We throw people like this in jail in my country!" Equato-Guinean President Obiang, long-frustrated that his deposits at BEAC exceeded his influence in the institution, was more "patient," calling for audits because, according to the BEAC official, "he knew what the audits would find [regarding Andzembe's malfeasance] and that the resulting pressure to institute a Presidency that rotates among the member states would be inevitable."

Audit of SG Placement Continues

17. (C) The Audit Committee includes representatives from the six CEMAC economies plus a representative from the French Treasury. The Heads of States agreed to conduct two audits, a general review of internal accounts and a specific investigation into Andzembe's unauthorized placement of funds at Societe Generale. According to the BEAC official, the investigators have yet to understand fully the

details of the SG account. "Even SG tells us that they are unable to determine the structure of the investment that Anzembe made!" he marveled. The official theorized that SG had used the BEAC funds to help "plug the hole" created by the Kerviel rogue trader scandal, but that the financial crisis had overwhelmed SG and swallowed BEAC's funds.

Jail for Some;
End of Gabon's Monopoly

¶ 8. (C) The BEAC official said his own government and others would seek jail time for some of the officials, but that there would be pressure to deal delicately with the new Gabonese Government. Ali Bongo, he said, is close personal friends with BEAC Governor Anzembe. Institutionally, he predicted, these scandals will mean the end of Gabon's monopoly on the Governorship, which will now rotate among the member states, and will lead to revisions to internal controls.

Comment: A Governance Lesson Learned

¶ 9. (C) This tale of grand-scale corruption is unfortunate, especially coming as it does during an economic crisis that has depleted the region's resources, but the strong reaction from Biya and Obiang suggests Gabon's foul play might result in better management--more transparency and autonomy--of BEAC's resources. Our hope is that CEMAC leaders internalize the lesson that secretive management of public resources is a recipe for waste and abuse and apply it to BEAC and their domestic institutions. Post is unable to assess the veracity of the allegation that French politicians benefitted from BEAC's loss, but it is the type of claim--that France encourages and preys upon corrupt leaders in the region--that will gain currency in popular opinion if, as the BEAC official predicted, the story leaks to the press. End comment.

GARVEY